BEFORE THE
UNITED STATES DEPARTMENT OF STATE

APPLICATION OF BORREGO CROSSING PIPELINE, LLC FOR A PRESIDENTIAL PERMIT AUTHORIZING THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF PIPELINE FACILITIES AT THE INTERNATIONAL BOUNDARY BETWEEN THE UNITED STATES AND MEXICO

Pursuant to Executive Order 11423, 33 Fed. Reg. 11741 (August 16, 1968), as amended, and Executive Order 13337, 69 Fed. Reg. 25299 (April 30, 2004), Borrego Crossing Pipeline, LLC ("Applicant"), a subsidiary of Howard Midstream Energy Partners, LLC (d/b/a Howard Energy Partners or "HEP"), hereby submits its Application ("Application") to the United States Department of State ("Department of State") for a Presidential Permit authorizing the construction, connection, operation, and maintenance of the border-crossing pipeline facilities (the "Border Facilities") described in this Application.

The Applicant is requesting a Presidential Permit to construct, own, and operate facilities for the transportation of refined petroleum products from the United States ("U.S.") to Mexico. Such Border Facilities will extend from a check meter station near N 27°38'42.28", W 99°36'13.62" to the U.S.-Mexico border under the Rio Grande River, and will deliver gasoline, ultra-low-sulfur diesel ("ULSD"), jet fuel, and other refined petroleum products as the market dictates and applicable laws and standards allow, from the U.S. to markets in northern Mexico.[1]

The Border Facilities will receive refined petroleum products from a 12.9-mile pipeline project to be developed by an affiliate of the Applicant (the "Borrego Pipeline"), which will transport product from Laredo, Texas to the Border Facilities.

---

[1] Interconnecting pipelines in Mexico will facilitate these deliveries. The interconnecting Mexican pipelines are: the Poliducto Frontera pipeline, which will extend from the U.S.-Mexico border to Nuevo Laredo, Tamaulipas, and the Poliducto del Norte pipeline, which will extend from Nuevo Laredo to a new terminal in Santa Catarina, Nuevo León, near Monterrey, Mexico.

Mexican energy reforms have sought to transform the refined product market from a state monopoly to an open market with full competition. As part of this process, the Mexican government announced that, beginning in 2018, after 80 years of government-set prices, gasoline will be sold at market prices and any company may import gasoline into Mexico. When the Applicant previously met with the Department of State on December 7, 2015 to discuss its concept, the Applicant envisioned a pipeline project from Corpus Christi to the U.S.-Mexico border with a 2018 in-service date to serve the newly opened Mexican market. However, in February 2016, the President of Mexico announced the acceleration of the market liberalization; any company is now able to import gasoline and diesel as of April 2016. The accelerated opening of the market provides near-term opportunities for many new rail, truck, and barge projects, many of which are expected to be in place prior to the in-service date of the Border Facilities. Accordingly, the Applicant has revised its plans and proposed projects to reflect the many different transportation options that customers may use to reach the Border Facilities.[2]

An affiliate of Applicant is moving forward with plans to develop a separate refined products pipeline from Corpus Christi, Texas to Laredo, Texas (the "Laredo Express Pipeline"), but the pipeline will not be the exclusive source of products delivered to the Borrego Pipeline or the Border Facilities. Rather, the Borrego Pipeline will originate at a new terminal in Laredo, Texas (the "Laredo Terminal"), which will be constructed and owned by an affiliate of the

[2] Similarly, because of the diversity of delivery options within Mexico, the proposed Mexican pipelines referenced in footnote 1 above are being organized and developed as two separate projects. The Poliducto Frontera will receive product at the border, and the Poliducto del Norte will offload product at Nuevo Laredo for subsequent deliveries by truck and rail.

Applicant, and will receive petroleum products by truck, rail, and pipeline.[3] Petroleum products will be received, stored, and/or blended at the Laredo Terminal to meet the various pre-importation conditions imposed by Mexico's Energy Regulatory Commission (the Comisión Reguladora de Energía, or "CRE") on gasoline and diesel. Those conditions, which include the Mexican Official Standard NOM-EM-005-CRE-2015 "Quality specifications for petroleum-based products" (the "NOM"), are designed to conform the quality of petroleum products to international standards. The Laredo terminal will originate petroleum products meeting the NOM and be able to offload them onto trucks and into pipelines for delivery into Mexico, including into the Borrego Pipeline for transportation to Mexican markets by way of the Border Facilities. Petroleum products may also be received, stored, and offloaded at the Laredo Terminal for local distribution in the Laredo market. The Laredo Terminal itself is beyond the scope of this Application, but the Applicant has provided a description of the Laredo Terminal herein to explain and clarify the various alternatives for sourcing product into the Borrego Pipeline and the Border Facilities. In light of the accelerated timing of the opening of the Mexican refined petroleum import market, the Laredo Terminal may begin operation prior to the Border Facilities.

The Border Facilities will serve the national interest of the United States by enabling the secure and reliable transportation of petroleum products, including, for example, gasoline, ULSD, and jet fuel, by pipeline to northern Mexico. Given Mexico's continuing need for imported refined petroleum products and the opening of imports to any company, the movement of product from the U.S. to Mexico is certain. The Border Facilities represent the safest, most

[3] The Laredo Terminal will be designed to receive product by truck, rail, and pipeline, including from NuStar's Laredo Pipeline, the Laredo Express Pipeline, and any other pipeline projects that may be developed.

environmentally beneficial means to facilitate this movement, helping to minimize truck traffic and congestion at the international border.[4] Construction of the Border Facilities, which will have a capacity of up to 150,000 barrels per day ("bpd") at full volume, will open the door to a new customer base for Texas refiners and marketers bolstered by legislative and regulatory changes that have opened markets in Mexico to U.S. suppliers ("Mexico's Energy Reform").[5] The Border Facilities will therefore enhance exports from the United States, consistent with national policy and environmental protection, and contribute to the U.S. national economy by allowing U.S. refiners and marketers to sell and deliver their refined products more effectively, efficiently, and safely. The Border Facilities will also create jobs and increase tax payments, all in the national interest.

Timely authorization of this Application is needed in order for the Border Facilities to be constructed and in operation by the first quarter of 2018. As described more fully below, Applicant has also initiated the process of procuring authorization to construct the Border Facilities in the United States and in Mexico.

---

[4] In its May 2016 Final Supplemental Environmental Assessment ("SEA") and Finding of No Significant Impact ("FONSI") for the NuStar Dos Laredos Pipeline Presidential Permit Application, the Department of State concluded that the Dos Laredos Pipeline project, which is designed to transport up to 24,000 barrels per day of refined product, would eliminate up to 39,400 fuel tanker truck trips between Laredo, Texas and Nuevo Laredo, Mexico per year, and reduce associated air (exhaust) emissions and traffic congestion at the U.S.-Mexico border. *See* SEA at 43-44, 52, 66. The Border Facilities, which are capable of transporting up to 150,000 barrels per day of refined products, will result in proportionality greater environmental benefits.

[5] Mexico enacted sweeping and historic energy reforms on December 21, 2013, which were implemented by secondary laws signed on August 12, 2014 and numerous regulatory directives issued since that time.

I. COMMUNICATIONS

Any communications with respect to this Application should be directed to:

Gregory R. Packer, Esq.
Senior V.P. & General Counsel
Howard Energy Partners
17806 IH-10 West
Suite 210
San Antonio, TX 78257
Tel: (210) 298-2254
gpacker@howardep.com

Kenneth M. Simon
Joshua W. Marnitz
Latham & Watkins LLP
555 Eleventh Street, NW,
Suite 1000
Washington, DC 20004
Tel: (202) 637-2200
ken.simon@lw.com
joshua.marnitz@lw.com

With a copy to:
Frank Van Horn
Howard Energy Partners
17806 IH-10 West
Suite 210
San Antonio, TX 78257
Tel: (210) 298-2233
fvanhorn@howardep.com

II. BACKGROUND

A. The Applicant

The Applicant and developer of the Border Facilities is Borrego Crossing Pipeline, LLC, a subsidiary of Howard Midstream Energy Partners, LLC (d/b/a Howard Energy Partners or "HEP"). Based in San Antonio, Texas, HEP is a private, growth-oriented midstream provider with assets in the Eagle Ford Shale region of South Texas, a natural gas pipeline system from Webb County, Texas to Monterrey, Mexico that will soon be under construction, as well as midstream assets in the Marcellus Shale region in Pennsylvania, all as described in more detail immediately below.[6] HEP owns the controlling interest in the Applicant, and has the authority to

[6] HEP's investors include EnLink Midstream, a U.S. natural gas midstream company, and Alinda Capital Partners, a global infrastructure investment firm.

make final decisions on behalf of the Applicant concerning the construction, connection, operation, and maintenance of the proposed Border Facilities.

HEP currently owns and operates more than 700 miles of pipeline, gathering production from the Eagle Ford, Escondido, Olmos, and Pearsall formations, among others in South Texas. HEP has 145 million cubic feet per day of amine/treating capacity, and more than 9,000 horsepower of compression. HEP also owns and operates a 200,000-cubic-feet-per-day cryogenic processing plant in Webb County, a 10,000-bpd stabilizer facility in Live Oak County, and a 220,000-barrel liquids storage terminal near Brownsville, Texas. Additionally, HEP owns more than 100 miles of natural gas gathering pipeline in Lycoming and Bradford counties in Pennsylvania. HEP, through the Nueva Era joint venture discussed in Section II.C below, will soon begin construction of the approximately 200-mile Nueva Era gas pipeline that will connect HEP's gathering systems in Texas to markets near Monterrey, Mexico and along the pipeline route.

B. Market for Petroleum Products in Mexico

According to recent estimates, demand for refined products in northern Mexico outstrips domestic production by approximately 70,000 bpd. This shortfall is projected to increase substantially through 2028, as domestic Mexican production and refining is not expected to keep pace with the growing demand. The Border Facilities will have a full transportation capacity of up to 150,000 bpd. The Border Facilities will therefore be able to meet demand in northern Mexico, providing a crucial outlet for U.S. refiners in Texas.

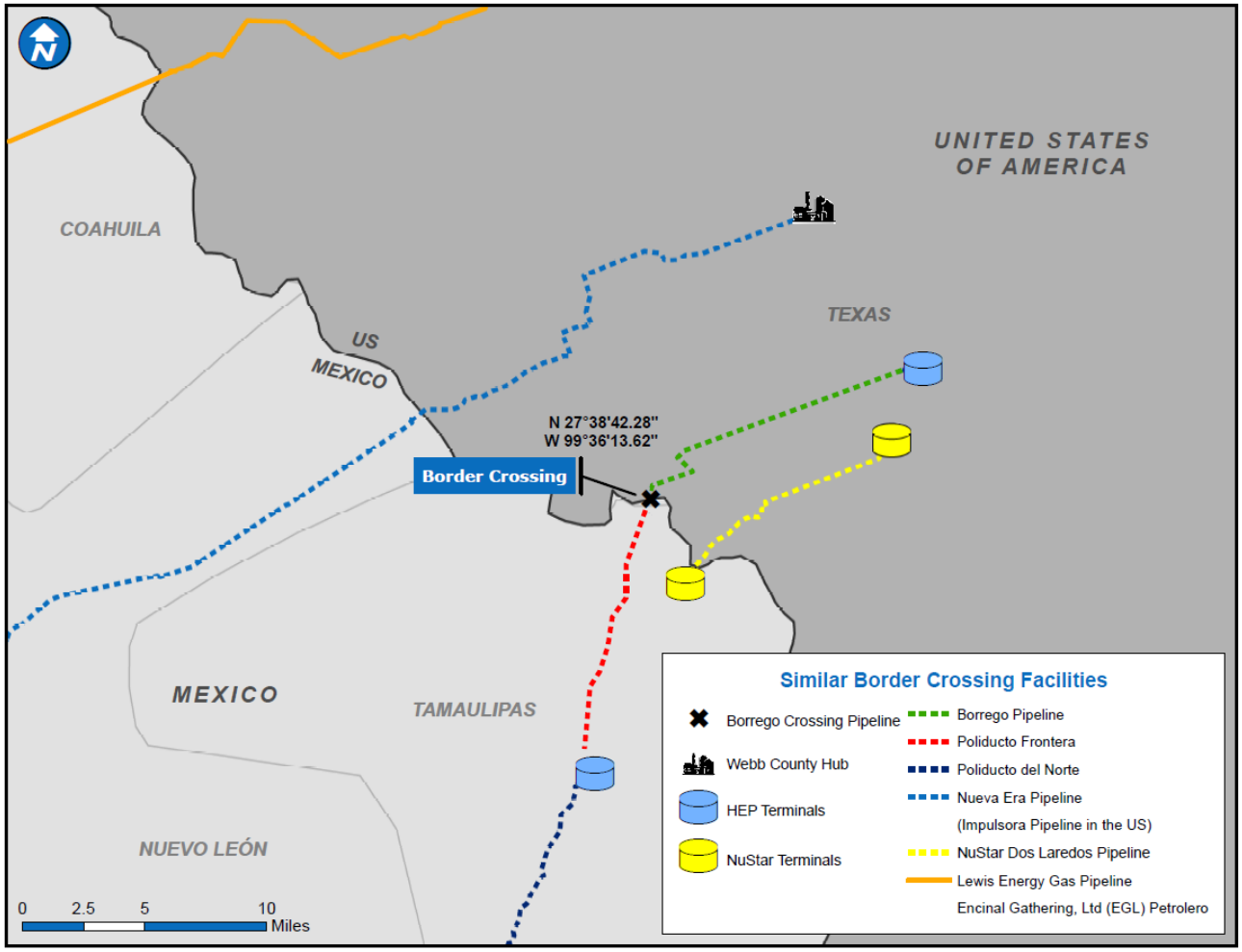
C. Similar Facilities

The Applicant, including its partners and affiliates, does not currently own or operate any other international pipeline designed for the transportation of refined petroleum products from the United States to Mexico.

Nueva Era Pipeline, LLC ("Nueva Era"), an affiliate of the Applicant and a joint venture between HEP and Grupo Clisa, will design, construct, and operate a pipeline system to transport natural gas supplies from the United States to end users in Monterrey, Mexico and along the pipeline route. Nueva Era's pipeline (known in the U.S. as the Impulsora Pipeline) will originate at the HEP Webb County Hub and transport gas to an international border crossing between the United States in Webb County, Texas and Mexico in the vicinity of Colombia, State of Nuevo León. Nueva Era's Midstream de Mexico pipeline will originate on the Mexican side of the border crossing and extend to measurement stations near Monterrey, Mexico. Impulsora Pipeline, LLC obtained a Presidential Permit from the Federal Energy Regulatory Commission on May 14, 2015, to construct, operate, and maintain border-crossing facilities.[7]

The map below identifies other border-crossing pipelines within a 25-mile radius of the Border Facilities, and the text that follows provides additional information on each such facility.

[7] *Impulsora Pipeline, LLC*, 151 FERC ¶ 61,117 (2015) (granting Natural Gas Act ("NGA") section 3 authorization and Presidential Permit for border-crossing facilities); *Impulsora Pipeline, LLC*, 153 FERC ¶ 61,204 (2015) (order on rehearing amending Impulsora's NGA section 3 authorization and Presidential Permit to clarify that only 1,400 feet of the border-crossing facilities will be located on the U.S. side of the international boundary); *Impulsora Pipeline, LLC*, 155 FERC ¶ 61,265 (2016) (order granting Impulsora's request to further amend its NGA section 3 authorization and Presidential Permit to remove one of the previously-authorized parallel pipelines (border-crossing facilities) at the international boundary from the proposed project).



- NuStar Dos Laredos Pipeline. Presidential Permit issued to Valero Logistics Operations, L.P. on December 19, 2003 for the Dos Laredos Pipeline. This Presidential Permit allows shipment of liquefied petroleum gas ("LPG") from a terminal in Laredo, Texas to a location on the Rio Grande known as La Bota.

  Pipeline Website:
  http://nustarenergy.com/en-us/OurBusiness/Assets/Pages/PL_2LAREDOS.aspx

  Dos Laredos Pipeline Overview:
  http://www.state.gov/e/enr/applicant/applicants/c61192.htm

  On December 4, 2013, NuStar Logistics, L.P. ("NuStar") submitted an application for a new Presidential Permit for NuStar's existing Dos Laredos Pipeline that would (1) reflect NuStar's name change from Valero Logistics Operations L.P. to NuStar; and (2) permit NuStar to transport a broader range of refined petroleum products in addition to the LPG authorized by the existing 2003 Presidential Permit, including gasoline and diesel.

Supplemental Environmental Assessment and Finding of No Significant Impact:
http://www.state.gov/documents/organization/257304.pdf

- Nueva Era Pipeline (Impulsora Pipeline in the U.S.). Presidential Permit issued on May 14, 2015, in Docket No. CP14-513-000, authorizing Impulsora Pipeline, LLC to site, construct, and operate natural gas facilities at the international boundary between the United States and Mexico. The border-crossing facilities will be located between Webb County, Texas and the vicinity of Colombia, Nuevo León. Impulsora Pipeline is an affiliate of Borrego Crossing Pipeline, LLC.

  Presidential Permit:
  https://www.ferc.gov/whats-new/comm-meet/2015/051415/C-1.pdf

  Presidential Permit Amendment:
  https://ferc.gov/whats-new/comm-meet/2016/061616/C-2.pdf

  Pipeline Website:
  http://www.pipelinenuevaera.com/

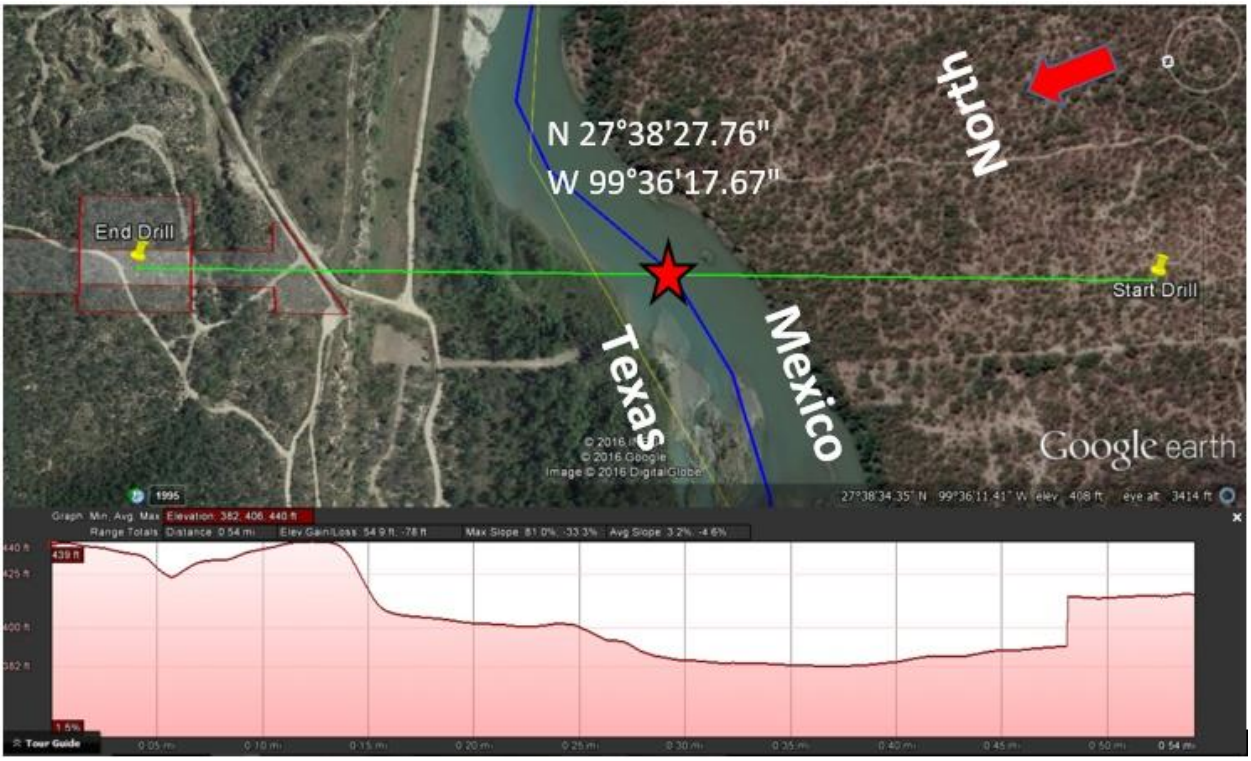
- Lewis Energy Gas Pipeline. Presidential Permit issued on July 2, 2007 in docket CP07-418-000 authorizing Encinal Gathering, Ltd. to site, construct, operate, and maintain facilities for exportation and importation of natural gas at the international boundary between the United States and Mexico in Webb County, Texas. Encinal Gathering, Ltd. is a subsidiary of the Lewis Energy Group, L.P.

  Presidential Permit:
  https://www.ferc.gov/EventCalendar/Files/20071210114432-CP07-418-000.pdf

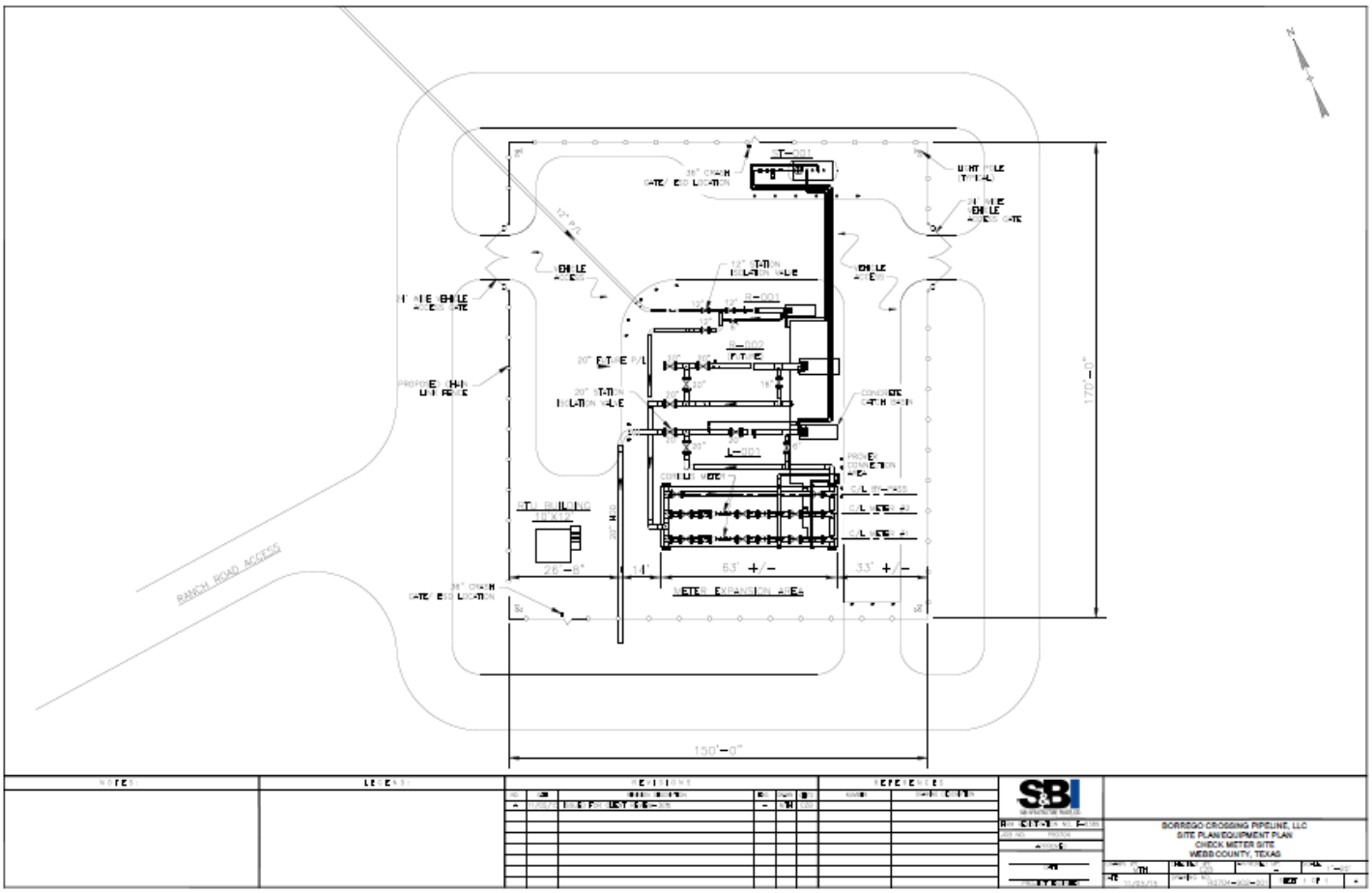
  Parent Company Website:
  www.lewisenergy.com

III. DESCRIPTION OF THE BORDER FACILITIES

The Applicant seeks a Presidential Permit for the Border Facilities that will extend from a check meter station near N 27°38’42.28”, W 99°36’13.62” to the U.S.-Mexico border under the Rio Grande River. As identified on the map provided immediately below, the Border Facilities will cross the U.S.-Mexico border near Laredo, Texas at approximately N 27°38'27.76" Latitude, W 99°36'17.67" Longitude.



At the U.S.-Mexico border where the Border Facilities cross under the Rio Grande River, the pipeline will be drilled to a minimum depth of 45 feet below the river bed, 65 feet below the surface at the river banks, and 4 feet below ground level within a permanent right-of-way outside the river banks. Engineering drawings including technical specifications for the Pipeline's border-crossing facilities are provided below.



The Border Facilities, as well as the Borrego Pipeline, are located primarily on private pasture land owned by two individuals (*i.e.*, over 95% of the project area is owned by two individual landowners). The projects also cross Texas Department of Transportation rights-of-way at Interstate 35, FM 3338 and FM 1472, and Texas General Land Office property at the Rio Grande (extending from the river bank to the center of the river). Pasture land is typical of the area. A photograph of the border crossing construction site/area is provided immediately below.

The Border Facilities are not located near any population centers in the United States. There are no residential houses currently located within a 500-foot radius of the Border Facilities.[8] The Border Facilities will be installed via horizontal directional drilling ("HDD") and will have no surface impacts, except for a 2.2-acre surface area that will contain the above-ground facilities. Approximately 80% of the Borrego Pipeline will follow existing disturbances, such as roads, pipelines, and transmission lines. The other 20% of the Borrego Pipeline will be constructed on agricultural and range land.

[8] In addition, the Borrego Pipeline will not pass through any population centers, and only one residential house is located within 500 feet of the Borrego Pipeline.

The Border Facilities will be constructed and operated consistent with the hazardous materials and pipeline safety regulations adopted by the Pipeline and Hazardous Materials Safety Administration ("PHMSA"). Specifically, the Border Facilities will be designed and constructed in accordance with U.S. standard ASME B31.4 and PHMSA regulations at 49 C.F.R. Part 195. The maximum operating pressure will be 1440 pounds per square inch. The Border Facilities will be located in a permanent 30-foot right-of-way.

A cathodic protection system, including anode beds, rectifiers, and associated facilities, will be installed for the Border Facilities. Once operational, the Border Facilities will be monitored using a state-of-the-art SCADA system, which will continuously monitor the pipeline facilities for leaks.[9] In addition, the Applicant will install distributed fiber-optic sensor cables over the complete length of the Border Facilities in order to detect temperature, corrosion, and acoustic variations with a high degree of accuracy and resolution. Distributed fiber-optic sensor technology can detect any loss of transported liquids due to pipeline leaks by noting local cooling due to the Joule-Thomson effect, soil temperature changes due to temperature differences between the soil and released fluids and due to evaporation effects, and detectable sounds in the case of high-pressure liquids leaks.

The Border Facilities on the U.S. side (*i.e.*, the surface sites with meters/launchers) will be accessible by existing public roads (Mines Road [FM1472], U.S. Highway 83, Interstate 35, and Toll Road 255) as well as by ranch roads. The beginning of the Borrego Pipeline will be accessible immediately off of Interstate 35. Traffic during construction of the Borrego Border Project is estimated to increase by less than 1% over current traffic levels, and such increased

[9] The Borrego Pipeline will also comply with these safety standards, will be located in a 30-foot right-of-way, will have the same form of cathodic protection, and will be continuously monitored via a SCADA system.

traffic is expected to occur at hours unlikely to impact traffic flows. During operations, traffic is expected to increase by approximately one visit per week, and is not expected to impact existing traffic patterns. Facilities on the Mexican side of the border, which are beyond the scope of the Department of State's jurisdiction and this Application, will be accessible by existing roads and are similarly expected to have limited, if any, impacts on traffic. A further discussion of the design of the Border Facilities is included in the environmental reports provided to the Department of State with this Application (discussed in Section VII below).

IV. NATIONAL INTEREST

The Applicant submits that the construction of the Border Facilities will serve the national interest by enabling U.S. refiners and marketers to transport refined products by pipeline to the growing market in northern Mexico, thereby helping to meet the President's goals of increasing U.S. exports, while also helping energy producers in the United States to increase revenues from existing resources. In addition, the Border Facilities, together with the Borrego Pipeline, will increase U.S. employment and the tax base of Texas, and reduce traffic congestion at the border.[10]

Demand for refined petroleum products from the United States has increased dramatically in northern Mexico. As mentioned above, recent estimates show that the northern Mexico refined products market has an approximately 70,000 bpd supply shortfall, which is

[10] As stated above in footnote 4, the Department of State recently concluded in the May 2016 Final Supplemental Environmental Assessment and Finding of No Significant Impact for the NuStar Dos Laredos Pipeline Presidential Permit Application that a similar project to transport refined petroleum products, including gasoline and diesel, from the U.S. to Mexico by pipeline rather than truck would benefit the environment by reducing traffic and traffic congestion at the international border, and by reducing associated air (exhaust) emissions. *See* SEA at 43-44, 52, 66. The proposed Dos Laredos Pipeline would transport approximately 24,000 bpd of refined product. The Border Facilities that are the subject of this Application will have a transportation capacity of up to 150,000 bpd, and therefore represent an important opportunity to substantially reduce truck traffic and traffic congestion at the border, as well as related environmental impacts.

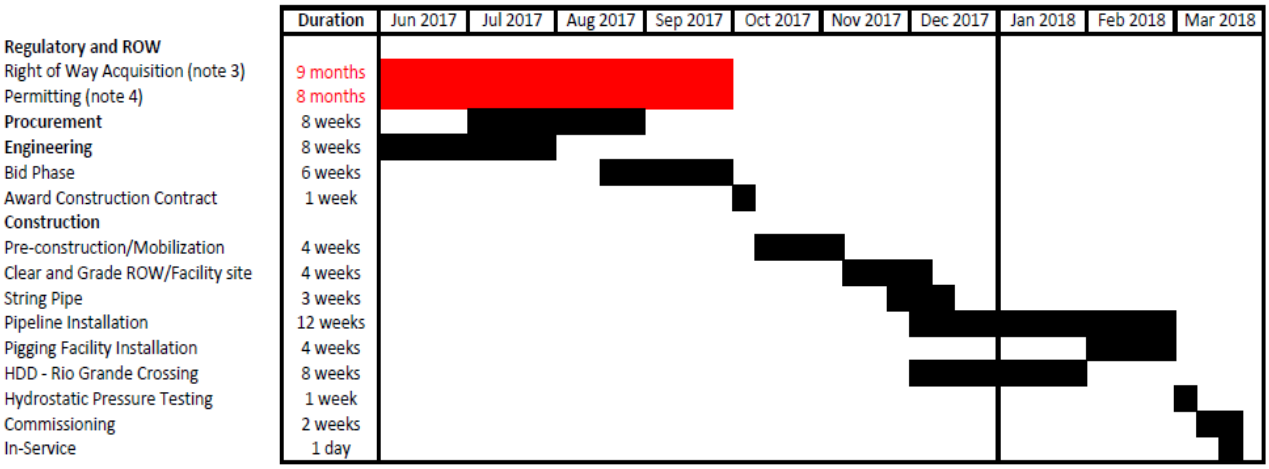
projected to grow as domestic Mexican production and refining lags behind Mexican domestic demand growth. The Border Facilities will have a transportation capacity of up to 150,000 bpd, and will connect U.S. refiners and marketers in Texas to under-served markets in northern Mexico.

The timing and construction of the Border Facilities is particularly important in light of Mexico's Energy Reform, which will enable companies, in addition to Petróleos Mexicanos ("PEMEX"), to compete to serve the growing demand for gasoline and other refined petroleum products in the northern Mexico market. Current demand is expected to grow significantly through 2028, outpacing domestic Mexican production and refining capabilities. The gap between supply and demand will have to be filled with imports. The Border Facilities will allow U.S. refiners and suppliers to capitalize on the growing market demand in Mexico and to increase U.S. energy exports, consistent with national policy. The Border Facilities will benefit the nation's energy sector, and make more productive use of existing resources in Texas, with a minimal level of investment and no significant adverse environmental impact. The Border Facilities will also help to decrease traffic at the border. Further, the construction of the Border Facilities will provide additional economic benefits to the workers who build and operate the Border Facilities, and their families and the communities in which they live.

V. CONSTRUCTION PLANS

A. Construction Methods and Project Safety

The Applicant proposes to construct the Border Facilities by obtaining competitive bids from qualified pipeline contractors. Below is an indicative construction schedule, which Applicant is providing for illustrative purposes only as such schedule is subject to change.



The scopes of work depicted in the indicative construction schedule above include construction of 12.9 miles of pipeline, HDD crossing of the Rio Grande, and installation of associated pigging facilities. The anticipated duration of the right-of-way acquisition is nine months. The anticipated permitting duration is seven to eight months, which will occur concurrently with the right-of-way acquisition.

1. Pipeline Installation

An HDD will be used to install the Border Facilities. The HDD installation process will include:

- HDD drilling operations;
- Measuring water utilized for operations and dewatering;
- Geometry pigging of the installed border crossing;
- 4-hour hydrostatic pre-test; and
- Identification, hauling, and disposing of the HDD drilling mud/fluids in approved disposal location(s).

2. Pipeline Testing

The Border Facilities pipeline will be strength tested to prove its integrity and substantiate the maximum operating pressure ("MOP"). All pressure tests will meet the requirements of the federal regulations codified at 49 CFR 195, Subpart E. The new pipeline will be hydrostatically tested. The pressure will be held for a minimum of four hours for permanent above-ground piping and for a minimum of eight hours for permanent underground piping. All water used for the hydrostatic testing will be obtained from approved sources.

3. Project Safety

The Border Facilities will be constructed in accordance with the latest edition of the following statutes, regulations, and codes:

- Texas Administrative Code Title 16, Part 1, Chapter 8 Pipeline Safety Regulations;
- Title 29 Code of Federal Regulations, CFR, Part 1926, Occupational Safety and Health Administration Safety and Health Regulations for Construction;
- Title 49 Code of Federal Regulations, CFR, Part 195, Transportation of Hazardous Liquids by Pipeline;
- API RP1110, Recommended Practice for the Pressure Testing of Steel Pipelines for the Transportation of Gas, Petroleum Gas, Hazardous Liquids, Highly Volatile Liquids or Carbon Dioxide;
- ASME B31.4 Pipeline Transportation Systems for Liquids and Slurries (in case of conflict with Title 49, CFR, Part 195, the Title 49 CFR, Part 195 shall take precedence); and
- National Fire Protection Association code.

4. Project Risks

Project risk management has identified the following risks during the engineering, design, and construction phases:

- Change in system design;
- Delays during project permitting;
- Unexpected weather conditions;
- Unexpected obstacles during construction;
- Change in economic parameters; and
- HDD potential risk for drilling fluid release.

These risks will be monitored during the project life cycle. A mitigation plan and strategy will be developed for each of the risks to reduce the impact on the Border Facilities. The risk management approach will be tailored to the scope and complexity of project activities.

B. Pipeline Integrity Measures: System Protection and Controls

The Border Facilities will be designed and constructed in compliance with U.S. and Mexican standards/requirements. Prior to being placed into operation, pipeline sections will be pressure tested with water to at least 125% of the pipeline's MOP to ensure the integrity and operational safety of the pipeline. The pipeline will be pre-coated with a fusion bond epoxy of 14-16 mils thickness, and the pipeline used in the bore will have an additional pre-coat of abrasion resistant overcoat of 44 mils. Where the pipeline is welded together, a field weld joint coating will be applied to provide an equivalent protection factor. All above-ground piping will be painted to prevent corrosion.

Once operational, the proposed Border Facilities will be monitored and controlled 24 hours per day, 365 days per year, from a central control facility located in San Antonio, Texas

using a state-of-the-art SCADA system. A leak detection system will continuously monitor the Border Facilities pipeline segment. In the event any anomaly is detected, block valves will automatically shut to isolate that portion of the pipeline. A cathodic protection system, including anode beds, rectifiers, and associated facilities will be installed for the Border Facilities. Applicant will operate the Border Facilities, maintain required manuals, and file required integrity management plans as required by PHMSA.

C. Leak Detection

A computer-based leak detection system will be installed for the Border Facilities. This system will report through the SCADA system to the central control facility and will provide the central control facility operator with enhanced capabilities related to the early detection and location of leaks. Response to a leak indication will be coordinated from the central control facility, with resources being supplied from the nearest pipeline maintenance location.

In addition, as noted above, the Applicant will install distributed fiber-optic sensor cables over the complete length of the Border Facilities in order to detect temperature, corrosion, and acoustic variations with a high degree of accuracy and resolution. Distributed fiber-optic sensor technology can detect any loss of transported liquids due to pipeline leaks by noting local cooling due to the Joule-Thomson effect, soil temperature changes due to temperature differences between the soil and released fluids and due to evaporation effects, and detectable sounds in the case of high-pressure liquids leaks.

D. Emergency Response and Public Awareness

The Border Facilities will have an emergency response plan that meets regulatory requirements. As part of that plan, Applicant will work closely with emergency response agencies in the areas in which it operates to ensure appropriate communication, understanding,

and cooperation. Applicant will also ensure that its emergency plans appropriately link into plans maintained by other affected agencies. Applicant will maintain an ongoing public awareness program with the communities and individuals living near the Border Facilities regarding how to live and work safely around pipelines. Applicant will operate the Border Facilities, maintain required manuals, and file required emergency response plans as required by PHMSA.

E. Maintenance Programs

Regular preventative maintenance programs, such as aerial patrols, internal inspections, and cathodic protection monitoring, will be incorporated into the design and operation of the Border Facilities.

F. Decommissioning, Abandonment and Site Reclamation

Decommissioning and abandonment activities will comply with all applicable federal and state regulatory requirements in force at the time of decommissioning.

VI. FINANCING

The Border Facilities are expected to cost approximately [redacted]. The Applicant plans to finance the Border Facilities [redacted]. As a carrier of refined petroleum products moving in foreign commerce, the rates, tariffs, and accounting practices for the Border Facilities will be subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission in the United States and the CRE in Mexico.

VII. ENVIRONMENTAL AND HISTORIC PRESERVATION REVIEWS

The Applicant engaged SWCA Environmental Consultants ("SWCA") to prepare an environmental review for the Border Facilities and the Borrego Pipeline ("Environmental Review"). The Applicant is providing the Environmental Review with this Application. The

Environmental Review identifies and evaluates the potential environmental and socioeconomic impacts associated with the Border Facilities to assist the Department of State with its evaluation of the Presidential Permit application for the Border Facilities (*i.e.*, the proposed federal action requiring National Environmental Policy Act ("NEPA") review). As discussed in this Application, the Applicant is seeking a Presidential Permit from the Department of State with respect to the Border Facilities. Although evaluation of the Border Facilities is sufficient as a general matter to satisfy the Department of State's environmental review obligations under NEPA, the Environmental Review addresses both the Border Facilities and the Borrego Pipeline (together, the "Borrego Border Project").

Consistent with applicable precedent, the Department of State may properly limit the scope of its NEPA review to the Border Facilities, and is not obligated to consider the full environmental and socioeconomic impacts of the Borrego Pipeline.[11] Nevertheless, as stated above, the Environmental Review provides an assessment of the Borrego Pipeline's potential impacts for informational purposes. The Environmental Review also addresses as cumulative impacts the potential impacts of the Laredo Express Pipeline to be developed by an affiliate of

---

[11] *See, e.g., Sierra Club v. United States Army Corps of Eng'rs*, 803 F.3d 31 (D.C. Cir. 2015) (holding that the United States Army Corps of Engineers ("USACE") was not required to conduct a NEPA review for the full length of a 593-mile crude oil pipeline where the USACE did not have jurisdiction over the entire pipeline and the scope of its federal actions was instead limited to discrete geographic segments). The Federal Energy Regulatory Commission ("FERC") has consistently taken this approach, expressly confining the scope of its NEPA review for Presidential Permit applications to the proposed border-crossing facilities, other than with respect to cumulative or known impacts associated with non-jurisdictional pipeline facilities. *See, e.g., Comanche Trail Pipeline, LLC*, 155 FERC ¶ 61,182 (May 19, 2016) (non-jurisdictional pipeline facilities addressed in cumulative impacts section of EA); *Trans-Pecos Pipeline, LLC*, 155 FERC ¶ 61,140 (May 5, 2016) (same); *Impulsora Pipeline, LLC*, 153 FERC ¶ 61,204 (2015) (same); *Roadrunner Gas Transmission, LLC*, 153 FERC ¶ 61,041 (Oct. 15, 2015) (same); *Houston Pipe Line Company LP*, 146 FERC ¶ 61,195 (Mar. 20, 2014) (same); *Bakken Hunter, LLC*, 155 FERC ¶ 61,140 (Apr. 24, 2014) (same); *NET Mexico Pipeline Partners, LLC*, 155 FERC ¶ 61,140 (Nov. 8, 2013) (same).

the Applicant; the Laredo Express Pipeline is not subject to the Department of State's Presidential Permit jurisdiction.

The Applicant also commissioned SWCA to conduct various environmental and historic preservation reviews, which are provided as appendices to the Environmental Review. A summary of SWCA's key findings includes:

- The Environmental Review concludes that the proposed Borrego Border Project would best address the purpose and need for the project by constructing the necessary infrastructure to safely transport liquid petroleum products in the most efficient and practicable means possible. Construction of the Borrego Border Project would result in negligible to short-term impacts, and would not result in any long-term or permanent impacts, to the affected environments. Operation of the Borrego Border Project would significantly reduce potential adverse effects, including hazardous release risks associated with above-ground transport, compared to the no-action alternative. Additionally, implementing the Borrego Border Project would not result in adverse impacts that would act in a cumulative fashion with other past, present, and reasonably foreseeable future actions (including the Laredo Terminal and the Laredo Express Pipeline).
- The Biological Evaluation concludes that no federally listed species are known to occur in the Borrego Border Project area, and that it is highly unlikely that the Borrego Border Project will have a significant effect on any federally listed species or habitat. In addition, the Biological Evaluation concludes that, so long as best management practices are followed, it is unlikely that the Borrego Border

Project will have a significant effect on the four state-listed reptile species likely to occur within the Borrego Border Project area.

- The Cultural Resource Investigations considered an approximately 178-acre Area of Potential Effects that included the entire 21.7-acre border crossing and staging area, and a 12.9-mile pipeline survey corridor. Investigations included a background review and intensive pedestrian survey with shovel testing within the Borrego Border Project boundaries. The Cultural Resource Investigations resulted in the documentation of eleven new archaeological sites and several chipped-stone artifacts in non-site contexts. However, of those sites, SWCA concluded that only one is potentially eligible for listing on the National Register of Historic Places ("NRHP"). SWCA recommended additional investigations to determine the NRHP-eligibility status of that site, or in the alternative that the Borrego Pipeline avoid that site. In March 2016, the Applicant rerouted the proposed Borrego Pipeline to avoid this site.
- The Jurisdictional Waters Delineation identified one perennial river (the Rio Grande) and sixteen Section 404 ephemeral stream channels within the Borrego Border Project area that are expected to be considered jurisdictional by the USACE. Based on current design plans, SWCA concluded that all activities would be minimal within the jurisdictional channels, and that a loss of Section 404 waters is not anticipated. SWCA also concluded that direct impacts to the jurisdictional boundaries of the Rio Grande are not anticipated, though a Section 10 permit from the USACE will be required and submitted under USACE

Nationwide Permit 12 for Utility Line Activities. SWCA concluded that no individual permit is required for the Borrego Border Project.

VIII. OTHER U.S. APPROVALS AND MEXICAN APPROVALS

The table below summarizes the major permits and approvals required from U.S. federal, state, and local agencies ("U.S. Approvals").

Agency	Approval/Consultation	Trigger
Joint U.S.-Mexico International Boundary and Water Commission	Permit and Letter of Authorization	Rio Grande crossing
U.S. Army Corps of Engineers	Section 404 Nationwide Permit 12/Section 10 Navigable Waters Permit	Rio Grande crossing and other impacts to jurisdictional waters
U.S. Fish and Wildlife Service	Informal Section 7 consultation under the federal Endangered Species Act and Migratory Bird Treaty Act consultation	Federal approval
Railroad Commission of Texas	Form T-4 Permit; Form PS 8000-A; P-5 Operator Permit; Permit to Discharge Hydrostatic Test Waters	Permit to operate; pipeline questionnaire; test water discharge
Texas Commission on Environmental Quality	Temporary water use application (for up to 10-acre feet of water) to Rio Grande Watermaster's Office; Air permit	Withdrawal of water for hydrostatic testing; air emissions
Texas Department of Transportation/General Land Office	Application for Rights-of-Way/Miscellaneous Easements	Rio Grande easement crossing
Texas Historical Commission; State Historic Preservation Office	Consultation under Section 106 of the National Historic Preservation Act	Federal approval

Agency	Approval/Consultation	Trigger
Native American Tribal Consultation	Consultation under Section 106 of the National Historic Preservation Act	Federal approval
Webb County Planning Department	Floodplain Permit; Utility Permit	Rio Grande floodplain

A. U.S. Approvals

The Applicant has initiated efforts to obtain the requisite U.S. Approvals, including preparation of the environmental studies and reports attached to the Environmental Review; development of plans required for permit applications; contacting the various agencies regarding their application processes; and initiating work required to complete the agencies' respective applications.

B. Mexican Approvals

The critical authorization required for the siting of transportation facilities at the international border with the U.S. and through Mexico's territory is the authorization granted by the CRE. Once the CRE authorization is granted, permit-holders must obtain various other permits prior to construction, including an Environmental Impact Study with an Environmental Risk Study issued by the Agencia de Seguridad, Energía y Ambiente ("ASEA") and an archaeological authorization issued by the Instituto Nacional de Antropología e Historia ("INAH"). The Applicant will also need to obtain a permit from the Comisión Internacional de Limites y Agua ("CILA") in Mexico for the international waterway crossing. That permit is a joint permit to be issued by CILA and the International Boundary and Water Commission ("IBWC") in the U.S. Applications for a joint CILA-IBWC permit are typically filed six months prior to the anticipated construction start date.

The Applicant has initiated efforts to obtain the requisite Mexican approvals, including briefing the CRE and Secretaría de Energía ("SENER") about the project. The Applicant has also initiated the development of plans required for permit applications; contacted the various agencies regarding their application processes; and initiated work required to complete the agencies' respective applications.

An initial list of the major Mexican approvals the Applicant anticipates needing includes:

Mexican Approval	**Mexican Agency**
Open Access Natural Gas Transport Permit	CRE
Social Impact Study Authorization	SENER
Environmental Impact Study	ASEA
Environmental Risk Study	ASEA
Federal Highway/Railroad Crossing	Secretaría de Comunicaciones y Transportes
Construction Permit near waterways	Comisión National del Agua
Water Disposal Permit	Secretaría de Medio Ambiente y Recursos Naturales
Archaeological Route Authorization	INAH
Change of Forested Land Use – ETJ	ASEA
International Waterway Permit	CILA

IX. ENVIRONMENTAL JUSTICE

Approval of the Applicant's request to construct, own, and operate the Border Facilities will not result in any disproportionately high and adverse human health or environmental impacts on minority populations or low-income populations in the United States. Because of the reduction of traffic and traffic congestion at the U.S.-Mexico border, and the related benefits to

air quality in Webb County, the Border Facilities will in fact have a net positive impact on Webb County as a whole. As of July 1, 2015, Webb County was 95.2% Hispanic and 32.3% of families in Webb County met Federal criteria for poverty.[12]

X. CONCLUSION

For the reasons set forth above, Applicant requests that the Department of State issue a Presidential Permit authorizing the construction, connection, operation, and maintenance of the Border Facilities for the exportation of refined petroleum products, including, for example, gasoline, ULSD, and jet fuel from the United State to Mexico.

[12] http://www.census.gov/quickfacts/table/PST045215/48479,00#headnote-js-b.

Respectfully submitted,

Kenneth M. Simon
Joshua W. Marnitz
Latham & Watkins LLP
555 Eleventh Street, NW,
Suite 1000
Washington, DC 20004
(202) 637-2200
ken.simon@lw.com
joshua.marnitz@lw.com

Gregory R. Packer, Esq.,
Senior V.P. & General Counsel
Howard Energy Partners
17806 IH-10 West
Suite 210
San Antonio, TX 78257
(210) 298-2254
gpacker@howardep.com